

Insecurity and Foreign Direct Investment by Oil Multinationals in Nigeria: Niger-Delta in Focus

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Abstract

The study interrogates the dynamics of insecurity and its impact on Foreign Direct Investment (FDI) by multinational oil corporations in Nigeria's Niger Delta, with a specific focus on Delta and Ondo States between 2017 and 2022. Framed within the Capability Theory, the research identifies oil theft, militant attacks, and kidnapping as strategic tools of economic warfare that deter investment and disrupt national revenue flows. Employing a mixed-methods approach, the study analyzed data from 200 questionnaires and 40 in-depth interviews alongside official records. Findings revealed a significant negative correlation between insecurity and FDI inflow, particularly through oil theft ($B = 0.464$, $p = 0.001$) and the killings of oil workers ($B = 0.199$, $p = 0.001$), corroborating the hypothesis that insecurity exacerbates capital flight and undermines operational sustainability. The study argues that these patterns reflect not just random criminality but a systemic resistance to marginalization and environmental degradation, with insecurity weaponized as a form of local bargaining. The implications are profound: international oil companies (IOCs) such as Shell and Chevron have begun divesting, resulting in over \$1 billion in oil revenue losses in the first quarter of 2022 alone (NUPRC, 2022). The study concludes that resolving the FDI-insecurity nexus requires comprehensive reforms in environmental governance, resource allocation, and state capability to enforce law and order. A multi-dimensional strategy—including environmental remediation, inclusive governance, and community-based policing—is recommended to stabilize the investment environment and promote sustainable development.

Keywords: Foreign Direct Investment, Niger Delta, insecurity, oil theft, economic warfare

Introduction

The Niger Delta conflict is a long-standing crisis in Nigeria, rooted in a complex mix of environmental degradation, economic marginalization, and political exclusion. Despite being the most oil-rich region in Nigeria, the Niger Delta has been plagued by severe underdevelopment, poverty, and environmental devastation. Decades of oil exploration by multinational corporations have led to widespread pollution, particularly through oil spills and gas flaring, which have compromised local ecosystems, agriculture, and fisheries (Oviasuyi & Uwadiae, 2010; Amnesty International, 2020). The resulting loss of livelihoods has fueled deep-seated resentment among local communities, creating a fertile ground for conflict.

A central issue in the Niger Delta conflict is the economic marginalization of the region's inhabitants. Although the Niger Delta generates a significant portion of Nigeria's revenue through oil production, the local communities have seen little benefit in terms of infrastructure or services. According to UNDP (2020), this persistent economic inequality has exacerbated social tensions and contributed to the emergence of militant groups, who demand greater resource

control and compensation for environmental damage. These groups, including the Movement for the Emancipation of the Niger Delta (MEND), have frequently engaged in pipeline vandalism, oil theft, and kidnappings, which have disrupted operations and deterred foreign direct investment (FDI).

Political exclusion has further intensified the situation. The centralization of oil revenue by the federal government and the limited involvement of local actors in decision-making processes have fostered perceptions of neglect and injustice. Consequently, the region has witnessed violent confrontations between militant groups and state security forces. These clashes often lead to the destruction of infrastructure and loss of life, deterring investors and escalating operational risks for multinational oil firms (Pegg & Zabbey, 2013). The implications are significant: increased costs related to security, ransoms, and project delays or abandonment ultimately reduces the attractiveness of the region to foreign investors.

The impact of this conflict on FDI is considerable. Oil multinationals like Shell, Chevron, and ExxonMobil have repeatedly faced threats that have led to production shut-ins, reduced profitability, and divestment from the Nigerian oil sector. For instance, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) reported over \$1 billion in lost oil revenue in the first quarter of 2022 alone due to security disruptions (NUPRC, 2022). Additionally, a 2023 report by the Institute for Security Studies highlighted that ongoing insecurity in the Niger Delta has led several international oil firms to relocate operations to more stable regions in Africa, such as Ghana and Senegal.

Environmental degradation has also played a pivotal role in shaping the conflict. Oil spills have contaminated drinking water and destroyed arable land, rendering many communities uninhabitable and further fueling militancy. The United Nations Environment Programme (UNEP, 2011) identified over 40 severely contaminated sites in Ogoniland alone, yet cleanup efforts have been slow and insufficient. This failure has reinforced a cycle of protest and sabotage against both oil companies and the Nigerian state, with direct implications for investor confidence and regional stability.

To address these issues, scholars and policy experts have proposed various solutions. A primary recommendation is comprehensive environmental remediation. UNEP's cleanup initiative in Ogoniland, although sluggish, provides a model that could be expanded to other parts of the Niger Delta. Additionally, inclusive governance structures that empower local communities in resource management are essential to restore trust and promote development (Watts, 2013). Economic diversification, infrastructure investment, and the enforcement of environmental regulations can also play a critical role in reducing the region's dependence on oil and fostering peace.

Furthermore, security sector reform is critical. The militarized approach currently adopted by the Nigerian government has often exacerbated tensions rather than resolving them. Improved training, community policing, and investment in local vigilante networks could help reduce violence and build cooperative relationships between security forces and residents. Legal accountability for multinational oil companies is also vital. Recent court rulings in the UK have held firms like Shell accountable for environmental damages, signaling a growing international demand for corporate responsibility (Akpan et al., 2020).

In conclusion, the Niger Delta conflict represents a classic case of the “resource curse,” where natural wealth fuels conflict rather than development. The interplay between insecurity and FDI reveals the challenges that multinational oil firms face in high-risk environments. A sustainable resolution requires a multidimensional approach that addresses environmental restoration, equitable economic development, inclusive governance, and security reform. Only through these coordinated efforts can the Niger Delta become a viable region for foreign direct investment and sustainable growth.

Economic Warfare of Insecurity vs. FDI by MNCs in the Niger Delta, Nigeria

Insecurity has emerged as a formidable barrier to Foreign Direct Investment (FDI), particularly in the oil-rich Niger Delta region of Nigeria. Historically a hub for multinational oil corporations, including Shell, Chevron, and Total Energies, the Niger Delta has seen a consistent decline in FDI inflows due to escalating security threats. These include militant attacks, pipeline vandalism, oil theft, and kidnapping of expatriates (Akindoyo, 2024). The thesis by Akindoyo (2024) reveals a strong correlation between insecurity and reduced FDI, as evidenced by the statistically significant impacts of oil theft ($B = 0.464$, $p = 0.001$) and killings of oil workers ($B = 0.199$, $p = 0.001$) on investment decisions. These conditions have caused firms to either divest or relocate operations to more stable regions, constituting a form of economic warfare that undermines national development.

Multinational corporations (MNCs) are particularly sensitive to security risks because of the high costs associated with disruption in operations. In a recent analysis, it was found that Nigeria lost over \$40.6 billion in potential FDI in 2020 alone due to prevailing insecurity (Institute for Economics & Peace, 2021). This reflects broader global investment behavior, where capital flows are closely tied to the perceived safety of the investment environment (UNCTAD, 2023). In the case of Nigeria, and particularly the Niger Delta, the persistence of armed militancy such as the Movement for the Emancipation of the Niger Delta (MEND), compounded by political neglect and environmental degradation, presents a dual challenge: not only do these groups disrupt economic activities, but they also erode investor confidence through persistent threats and infrastructural sabotage (Pegg & Nenibarini, 2013).

The economic implications are profound. As FDI in the oil sector accounts for over 75% of Nigeria’s net FDI inflow, any disruption significantly affects GDP, job creation, and national income (Akindoyo, 2024). Insecurity has led to increased operational costs due to ransom payments, insurance premiums, and the need for private security. Furthermore, the strategic withdrawal of firms like ExxonMobil and Chevron from parts of the Niger Delta underscores the extent to which insecurity acts as a tool of economic warfare. According to reports from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), the first quarter of 2022 alone saw revenue losses of over \$1 billion due to oil theft and sabotage (Ignatius, 2022). These figures highlight the extent to which economic growth is being undermined, particularly when government responses are reactive rather than preventative.

Addressing the insecurity-FDI nexus requires multifaceted policy interventions. Strengthening institutional frameworks, community engagement, and socio-economic reforms to address youth unemployment and environmental justice are crucial steps. Scholars argue that FDI does not thrive in isolation; it is contingent upon a stable political and economic climate (Caballero-Anthony, 2017). Therefore, Nigeria must invest in rebuilding trust, enforcing the rule of law, and implementing robust security sector reforms. As noted in the thesis by Akindoyo (2024), without

addressing these structural deficiencies, MNCs will continue to view Nigeria, particularly the Niger Delta, as a high-risk zone, thereby perpetuating a cycle of underdevelopment, economic loss, and social unrest.

Theoretical Framework

This study is premised on the capability Theory.

Capability Theory as formulated by Gabriel Almond in 1960 provides a comprehensive framework for examining the relationship between state capabilities and foreign direct investment (FDI) dynamics, especially in contexts with pressing security concerns. Almond's theory primarily focuses on the capacities of political systems to perform functions that ensure stability, governance, and development. Within the context of security challenges and FDI by oil firms in Ondo and Delta States, Nigeria (2017-2022), the theory underscores the importance of state capacities in managing security and fostering a conducive environment for economic activities. Almond's model of state capability includes symbolic, regulative, and distributive capabilities—each crucial in promoting investor confidence and ensuring stability. Weakness in any of these capabilities can lead to frustration among the populace, exacerbate insecurity, and ultimately discourage FDI inflows.

Symbolic Capability refers to the state's ability to use symbols and values to maintain legitimacy and unity, which in this case includes the government's efforts to project stability to both the public and foreign investors. In an environment plagued by security threats, a strong symbolic capability is necessary to reassure investors about the commitment to maintaining order and safeguarding investments. A lack of symbolic capability weakens national and international confidence, fostering insecurity and discouraging FDI.

Regulative Capability is the government's capacity to enforce rules and regulations that protect economic interests and the population. Effective regulative capability ensures that law enforcement can prevent or mitigate security threats, creating a stable environment for oil firms. However, if regulative capability is weak, it can lead to a rise in criminal activities, such as oil theft, militancy, and vandalism, which creates an unsafe and unpredictable environment that deters FDI.

Distributive Capability refers to the equitable distribution of resources and opportunities. In Nigeria, regions like the Niger Delta have historically struggled with resource allocation, leading to grievances that fuel insecurity. When distributive capability is weak, marginalized groups may resort to militant actions, leading to an unstable environment that repels foreign investors. Inequitable distribution, if unaddressed, exacerbates socioeconomic frustrations and insecurity, further reducing FDI inflows as firms consider the operational risks too high.

In essence, Capability Theory explains how weaknesses in symbolic, regulative, and distributive state functions can create a hostile environment for FDI. When a state cannot adequately perform these functions, it fosters an environment of insecurity and frustration, dissuading investors concerned about both immediate risks and the long-term stability of their investments.

Methodology

This section discusses the research design, data collection methods, and data analysis techniques employed to gather and interpret the data for the study.

Research Design: The study utilizes a mixed-methods research design, integrating both qualitative and quantitative approaches to provide a comprehensive understanding of the research problem.

Study Area: The study is focused on the Niger Delta, covering approximately 70,000 sq. km of Nigeria and inhabited by around 25 million people across nine oil-producing states. These include six states from the South-South zone (Akwa Ibom, Rivers, Cross River, Delta, Bayelsa, and Edo), two from the South-East (Abia and Imo), and one from the South-West (Ondo). The region's ethnic diversity, with over 40 groups and approximately 250 dialects, reflects the complex socio-political environment in which oil firms operate (NBS, 2016).



Fig. 1: Map of Niger Delta States (Extracted from Map of Nigeria).

Methods of Data Collection: The study employs both primary and secondary data collection methods.

Population of the Study: The population includes major players in Nigeria's oil and gas industry, both upstream and downstream, as well as local communities in the Niger Delta. Key companies involved in the study include Shell Petroleum, Texaco, Exxon Mobil, Chevron, and others. The study also includes residents of host communities affected by oil firm activities, who

provide valuable perspectives on the security challenges impacting oil production and FDI in the region.

Sampling Technique / Sample Size: The study adopts both probability and non-probability sampling techniques. Purposive sampling is used to select participants based on relevance to the research, while stratified sampling divides the population into subgroups to ensure accurate representation. The sample size includes 200 questionnaire respondents and 40 in-depth interviewees. Stratified sampling focuses on the two states with the highest concentration of oil activities—Ondo and Delta—ensuring precise estimates. Random sampling for questionnaires and purposive sampling for interviews ensures both statistical validity and depth of qualitative insights. The study's multi-stage sampling approach enhances the accuracy and relevance of the findings (Mweshi & Sakyi, 2020).

Table 2: Five Purposively Selected International Oil and Gas Companies from the Study area

S/N	Company	Date of Incorporation	Country of origin	Project Areas in Nigeria and presence in study Areas
1.	Chevron Texaco Oil Company	1901	U S A	Oil and Gas (Both Ondo & Delta states)
2.	Total Energy company	1924	France	Oil and Gas (Both Ondo & Delta states)
3.	Eni/Agip Oil Company	1920	Italy	Oil and Gas (Both Ondo & Delta states)
4.	Royal Dutch Shell Oil Company	1907	Netherlands	Oil and Gas (Both Ondo & Delta states)
5.	Exxon Mobil	1914	U S A	Oil and Gas (Both Ondo & Delta states)

Source: Compiled from Oil firm Bulletins (2022).

These designated oil firms are adjudged as some of the topmost oil and gas companies in Nigeria that have been operating for several decades in. The five companies were chosen in order to allow for thorough in-depth study and analysis. The attention of the study is on the oil sector because oil firms are always the target of militants, bandits and kidnappers which make the oil firms to lose money by paying ransom to kidnappers thereby making it difficult to perform their work which in turn affects the inflow of FDI in Nigeria (Albert, Danjibo, & Albert, 2020).

The study also selected some respondents for oral interview through a purposive sampling. The method allows the researcher to choose the participants with relevant first-hand information, experience and knowledge on the issue of security challenges and FDI with particular reference to oil firms in Niger-Delta area.

Method of data collection: The method of data collection is discussed as follows:

Research Technique/Instrument: The questionnaires and scheduled in-depth interviews were used as research tools in this study. The researcher distributed two hundred (200) questionnaires to respondents. The questionnaires were administered on staff of sampled oil firms in Niger-

Delta and oil community stakeholders in Burutu and Ilaje Local Government areas of Delta and Ondo states respectively. Out of the 200 questionnaires administered, 181 questionnaires were returned, leaving a shortfall of 19 not returned, representing 91% response rate.

Validity and Reliability of the Research Instrument: The validity and reliability of the research instrument was achieved by subjecting the instrument to critical evaluation for consistency, coherence and tenability. A pilot study was conducted to elicit the right understanding and answers to concepts under investigation using small participants from the chosen sample. Also, copies of the research instrument were presented to the experts in political Science departments who are well-grounded in this area of study for more logical analyses. All these helped the study to achieve its validity and reliability.

Method of Data Analysis: The Statistical Package for Social Sciences (SPSS) was used to statistically assess the field data. The study adopted descriptive and inferential statistics such as chi-square, correlation and linear regression.

RESULTS AND INTERPRETATION OF DATA

Research Question: Is there linkage between security challenges and the flow of foreign direct investment (FDI) in Nigeria?

To answer the question as above, questions Item B1-B6 which relates to security challenges were regressed against C10 (which relate to FDI in terms of financial relevance, millions of dollars) of the questionnaire as presented below:

Linkage between security challenges and the flow of foreign direct investment (FDI) in Nigeria using a linear multiple regression test.

Table 3a: Descriptive

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.490	0.24	0.213	0.55874	1.755

a. Predictors: (Constant), _B:_6._, _B:_4._B:_2., __B:_1._B:_3._B:_5._
b. Dependent Variable:
_C:_10._crude_oil_theft_has_caused_nigeria_government_to_lose_millions_of_dollars.

Table 3b: ANOVA

ANOVA							
Model		Sum of Squares	Df	Mean Square	F		Sig.
1	Regression	16.841	6	2.807	8.991		0.001
	Residual	53.384	171	0.312			
	Total	70.225	177				

a. Predictors: (Constant), _B:_6._, _B:_4._B:_2., __B:_1._B:_3._B:_5._
b. Dependent Variable:
_C:_10._crude_oil_theft_has_caused_nigeria_government_to_lose_millions_of_dollars.

Table 3c: Coefficient

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta				Lower Bound	Upper Bound
1 (Constant)	2.07	0.527			3.928	0.000	1.03	3.11
B: 1. Kidnapping	0.068	0.065	0.077		1.052	0.294	-0.06	0.196
B: 2. the rate of piracy in Nigeria	-0.101	0.067	-0.113		-1.502	0.135	-0.234	0.032
B: 3. regular ransom payment	-0.068	0.065	-0.087		-1.045	0.298	-0.197	0.061
B: 4. oil theft has negatively impacted	0.464	0.091	0.349		5.085	0.001	0.284	0.644
B: 5. the high spate of vandalism	-0.059	0.075	-0.065		-0.782	0.435	-0.206	0.089
B: 6. the killings oil workers	0.199	0.054	0.306		3.696	0.001	0.093	0.305

a. Dependent Variable: C: 10. crude oil theft has caused Nigeria government to lose millions of dollars.

The regression results in Tables 3a to 3c, showed that there is a linkage (relationship) between the security challenges and operations of FDI. As it was observed in the table 4.5a, $r = 4.90$. Meanwhile in Table 3b, $F = 8.991$, $\text{Sig.}(P\text{-value}) = 0.001$. This is an indication that security directly impacts the operations of FDI.

Further independent coefficients revealed that oil theft and killings were significant predictor variables, where their beta values and p values respectively were ($B = 0.464$, $p = 0.001$ for oil theft) while $B = 0.199$ and $p = 0.001$ were recorded for the killings oil workers. Hence, though security challenges in general affects FDI operations, the duo of oil theft and killings of workers were most dreadful and they significantly affect FDI.

A clear implication of the above results was seen in both net inflow of FDI into Nigeria and the resultant oil rents from 2010 to 2019. The linear representation showed a downward decline of the FDI oil Rent in the specified years. This could be attributed to identified security challenges in the Niger-Delta. The representation of the decline nature of the data and the linear representations are in Figures 2 and 3.

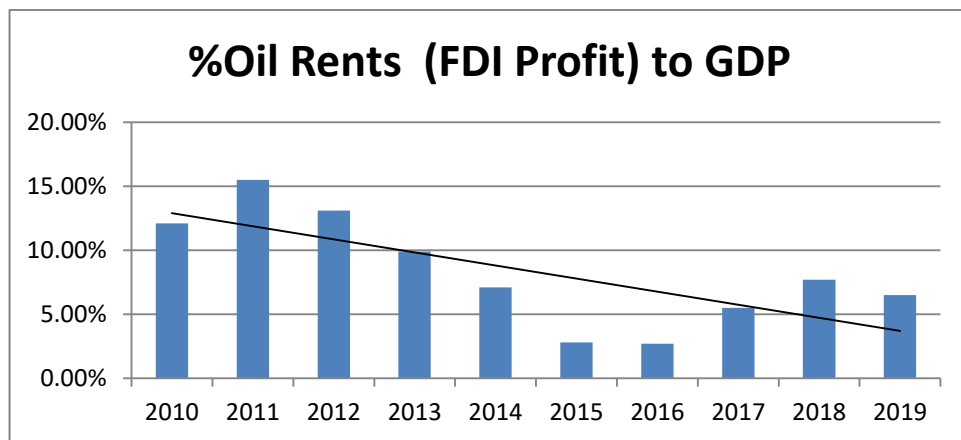


Fig. 2: % oil Rent in Nigeria Oil Sector (%GDP).

Source: World Bank Data, 2022

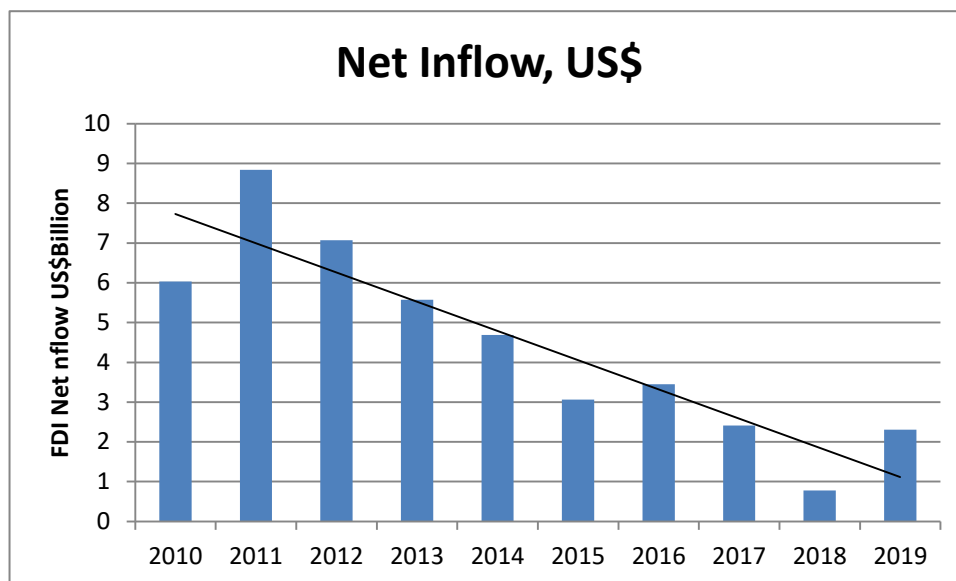


Fig. 3: FDI Net Inflow (US\$ Billion)

Source: World Bank Data, 2022

Discussion of Findings

The findings of this study offer critical insight into the entrenched relationship between insecurity and foreign direct investment (FDI) in Nigeria's oil-rich Niger Delta. Drawing on the Capability Theory (Almond, 1960), the study underscores the Nigerian state's weakened symbolic, regulative, and distributive functions, which have collectively contributed to the volatile investment climate. The evidence confirms that insecurity has become a form of economic warfare, systematically eroding investor confidence and disrupting oil production activities—particularly in Delta and Ondo States.

The regression analysis confirms that insecurity—especially oil theft and killings of oil workers—has a statistically significant and negative impact on FDI inflows. Specifically, oil

theft ($B = 0.464$, $p = 0.001$) and worker killings ($B = 0.199$, $p = 0.001$) are the most potent predictors of declining investment (Akindoyo, 2024). These findings align with existing literature, which identifies sabotage and militancy as key constraints to investment in conflict-prone oil regions (Pegg&Zabbey, 2013; Akpan et al., 2020).

Furthermore, multinational corporations (MNCs) such as Shell and Chevron have scaled down or divested from onshore operations, citing frequent disruptions, violence, and high operational costs linked to insecurity (Reuters, 2025; The Punch, 2023). This divestment trend further validates the study's hypothesis that insecurity directly undermines FDI, not only by posing physical threats but also by inflating insurance premiums, necessitating ransom payments, and delaying projects (UNCTAD, 2023).

Environmental degradation, particularly from oil spills and gas flaring, remains a foundational driver of unrest in the Niger Delta. This aligns with the United Nations Environment Programme (UNEP, 2011) findings, which highlighted over 40 heavily polluted sites in Ogoniland. The study corroborates that ecological injustice has bred deep-seated resentment, particularly among youth, resulting in the formation and mobilization of militant groups like the Movement for the Emancipation of the Niger Delta (MEND) (Watts, 2013; UNDP, 2020). These groups have turned the region into a hostile operational terrain for MNCs, leveraging tactics such as kidnappings and sabotage to exert pressure on both the government and oil firms.

Using Capability Theory as a framework, the study identifies glaring deficiencies in the Nigerian state's ability to perform core governance functions. The state's regulative capacity is undermined by institutional corruption, ineffective law enforcement, and the inability to protect critical oil infrastructure. Its distributive capacity is likewise impaired, as wealth generated from oil is inequitably distributed, further fueling grievances in oil-producing communities (Fukuyama, 2013; Croissant & Hellmann, 2017). The symbolic capacity—the ability to project legitimacy and maintain cohesion—is also in question, as seen in the declining trust of local populations toward both the state and oil multinationals (Oviasuyi&Uwadiae, 2010).

The study introduces the framing of insecurity as a tool of economic warfare, weaponized to extract rents from oil firms or compel governmental concessions. This mirrors similar arguments in the works of Watts (2008, 2013) and Obi (2010), who describe Nigeria's oil economy as both a site of extraction and resistance. The idea of sabotage as strategic economic sabotage—aimed at manipulating national and corporate responses—positions the Niger Delta not just as a victim of underdevelopment, but also as an arena where local actors assert agency through confrontation.

This framework provides a fresh understanding of insecurity—not merely as a developmental or policing issue—but as a deliberate and systemic tactic that undermines national economic stability and reduces Nigeria's competitiveness in the global investment market (Institute for Security Studies, 2023; Akindoyo, 2024).

The findings call for a multidimensional policy approach. Beyond military solutions, there is a pressing need for environmental remediation (UNEP, 2011), participatory governance (Watts, 2013), and targeted investments in education and job creation to reduce youth militancy. The study also supports international accountability mechanisms, as recent UK rulings against Shell highlight the growing global pressure for corporate responsibility in the Global South (Akpan et

al., 2020). Unless structural governance reforms are prioritized, insecurity will persist, and the economic potential of the Niger Delta will remain stunted.

Conclusion

This study has revealed that insecurity in the Niger Delta transcends mere law and order issues—it represents a strategic form of economic warfare that actively undermines foreign direct investment (FDI) in Nigeria’s oil sector. Militancy, oil theft, pipeline vandalism, and targeted violence against oil workers have collectively created a hostile investment climate, particularly in Delta and Ondo States. The regression analysis shows significant statistical relationships between insecurity variables—most notably oil theft and killings of oil workers—and the decline in FDI inflows. The findings demonstrate that multinational oil corporations (MNCs) such as Shell, Chevron, and ExxonMobil face rising operational costs, reduced production capacity, and increased security risks, resulting in divestment and relocation to more secure African markets like Ghana and Senegal (Institute for Security Studies, 2023; Reuters, 2025). The broader implication is the erosion of national revenue and job opportunities, leading to a self-perpetuating cycle of underdevelopment and unrest in oil-producing communities.

Recommendations

- i. The Nigerian government must enhance its symbolic, regulative, and distributive capacities by improving transparency, eliminating corruption, and ensuring effective law enforcement. Strengthening institutions like the Niger Delta Development Commission (NDDC) and the Ministry of Petroleum to better manage community relations and resource allocation will foster stability (Croissant & Hellmann, 2017; Akindoyo, 2024).
- ii. Replacing the current militarized approach with community-based security frameworks—such as local vigilante partnerships and community policing—can enhance legitimacy and reduce resistance (Caballero-Anthony, 2017). Furthermore, profit-sharing mechanisms with host communities will improve local buy-in and reduce sabotage.
- iii. Oil multinationals should be held to higher standards of corporate accountability, with clear legal mandates for environmental cleanup and social investment. The UNEP (2011) Ogoniland report provides a blueprint for comprehensive environmental remediation that must be replicated across the region.
- iv. Diversifying local economies through agriculture, aquaculture, and green industries can reduce dependence on oil and address root causes of insecurity such as youth unemployment. Targeted investments in vocational training and infrastructure are key to this transformation (UNDP, 2020; Oviasuyi & Uwadiae, 2010).
- v. Nigeria must establish clearer investment protection protocols through bilateral agreements and improved arbitration processes. Confidence-building measures for investors—such as tax incentives and robust security guarantees—will signal commitment to a safer business environment (UNCTAD, 2023).

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